PRINCE EDWARD ISLAND

GRAIN ELEVATORS CORPORATION

Ninth Annual Report

FOR THE CROP YEAR ENDED JULY 31ST

1986

KENSINGTON
PRINCE EDWARD ISLAND

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The HONOURABLE TIM CARROLL

Minister of Agriculture

Province of Prince Edward Island

Dear Sir:

We, the Board of Directors and the Management of the Prince Edward Island Grain Elevators Corporation, have the honor of submitting herewith the Ninth Annual Report of the Prince Edward Island Grain Elevators Corporation.

This report includes a brief summary of the operations and the Auditor General's financial statement for the fiscal crop year ending July 31, 1986.

Respectfully submitted,

BOARD OF DIRECTORS

Prince Edward Island
Grain Elevators Corporation

NINTH ANNUAL REPORT

OF

THE PRINCE EDWARD ISLAND GRAIN

ELEVATORS CORPORATION

For the Fiscal Year Ending July 31, 1986

BOARD OF DIRECTORS

John Callaghan ..... President
Harold Cairns ..... Vice-President
Gordon Williams ..... Secretary-Treasurer
Keith Bernard ..... Director
Melvin Ling ..... Director
Winburn Harris ..... Director
Clayton Bulpitt ..... Director
Jim Whalen ..... Special Advisor

HEAD OFFICE STAFF

Wallace Murphy ..... Executive General Manager
Debra Montgomery ..... Clerk-Typist
Barbara Johnstone ..... Clerk-Typist

ELEVATOR OPERATIONS STAFF

No. 1 Elevator – Kensington, P.E.I.

Clive Drummond ..... Manager
Kenneth McCarville ..... Assistant Manager
Andy Gauthier ..... Elevator Worker

No. 2 Elevator – Roseneath, P.E.I.

J. Ronald Somers ..... Manager
Bill McGuigan ..... Elevator Worker

No. 3 Elevator – Elmsdale, P.E.I.

Donald McCarthy ..... Manager
Edmond Gaudet ..... Elevator Worker

The Prince Edward Island Grain Elevators Corporation is a Crown Corporation of the Province of Prince Edward Island under the authority of the Minister of Agriculture.

The Prince Edward Island Grain Elevators Corporation was established under Bill No. 49, the 4th Session, 43rd General Assembly; 26 Elizabeth 11, 1977.

OBJECTIVE OF THE CORPORATION

The objective of the Corporation is to stimulate local feed grain production and to bring uniformity to the industry through marketing of local grain on Prince Edward Island and throughout the Atlantic Provinces.

The Prince Edward Island Grain Elevators Corporation provides a central marketing, drying, storage and distribution outlet to the grain producer, livestock feeder and the feed industry.

FINANCIAL PARTICIPATION

The Prince Edward Island Government provides funding to purchase grain and funds for the Corporations operating costs. These funds are returned to the Provincial Treasury from the sale of grain and services provided by the Corporation through drying charges, handling and elevator charges, storage and interest charges.

1985-1986 CROP YEAR CONDITIONS

An average growing season; the grain coming into the elevators was of good quality. This was the second year for the protein bonus plan and there was a large increase of high protein grains sold to the elevators.

NUMBER OF PRODUCERS AND USERS OF GRAIN

This report covers the crop year August 1, 1985, to July 31, 1986, which was the ninth year of operation of the Prince Edward Island Grain Elevators Corporation, the Thirteenth year for the Kensington Grain Elevator, the ninth year for the Roseneath Grain Elevator, and the eighth year for the Elmsdale Grain Elevator.

The following is a breakdown of buyers and sellers who are using the grain elevator system:

Kensington (No.1): There were approximately 185 buyers of grains. There were approximately 150 cheques issued to Island grain producers for a total of $1,108,849.

Roseneath (No. 2): There were approximately 100 buyers of grains. There were approximately 100 cheques issued to Island grain producers for a total of $418,718.

Elmsdale (No. 3): There were approximately 70 buyers of grains. There were approximately 100 cheques issued to Island grain producers for a total of $933,664.

The average price paid to the Island grain producer was as follows:

Barley	–	$145.00 m.t.
Oats	–	$112.00 m.t.
Wheat	–	$159.00 m.t.

The average price paid for Western grains and Ontario Corn was as follows:

Wheat	–	$163.00 m.t.
Corn	–	$168.00 m.t.
Soybean	–	$327.00 m.t.

VOLUME OF HANDLINGS AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat purchased		
Kensington No. 1	825.137	
Roseneath No. 2	688.101	
Elmsdale No. 3	8.536	
Total		1521.744
Western Wheat purchased		
Kensington No. 1	70.460	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total		
Total Wheat purchased		1592.204
Island Oats purchased		
Kensington No. 1	2163.712	
Roseneath No. 2	1305.336	
Elmsdale No. 3	1958.768	
Total		5427.816
Western Oats purchased		
Kensington No. 1	128.012	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total Oats purchased		5555.828

Island Barley purchased	Metric Tonnes	
Kensington No. 1	5729.666	
Roseneath No. 2	1162.740	
Elmsdale No. 3	4982.252	
Total		11874.658
Western Barley purchased		
Roseneath No. 2	43.772	
Total Barley purchased		11918.430
Ontario Corn purchased		
Kensington No. 1	638.114	
Roseneath No. 2	208.628	
Elmsdale No. 3	50.924	
Total Corn purchased		897.666
Soybean meal purchased		
Kensington No. 1	1022.333	

As well as purchasing grain from farmers, each elevator also receives grain to dry and store. These volumes are as follows:

Kensington No. 1	Metric Tonnes	
Barley	284.760	
Oats	49.727	
Wheat	23.944	
Corn	3.924	
Soybean	13.458	
Peas	165.446	
Total		541.259

Roseneath No. 2

Barley	132.741	
Oats	58.914	
Wheat	117.207	
Total		308.862

Elmsdale No. 3

Barley	64.125	
Oats	56.971	
Total		121.096

VOLUME OF SALES AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat sold		
Kensington No. 1	775.213	
Roseneath No. 2	1227.590	
Elmsdale No. 3	–	
Total		2002.803
Western Wheat sold		
Kensington No. 1	20.543	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total		20.543
Total Wheat sold		2023.346
Island Oats sold		
Kensington No. 1	1750.101	
Roseneath No. 2	682.399	
Elmsdale No. 3	547.104	
Total		2979.544

Western Oats sold

Kensington No. 1	150.311	
Roseneath No. 2	10.088	
Elmsdale No. 3	3.160	
Total		163.559
Total Oats sold		3143.143

Island Barley sold

Kensington No. 1	5256.383	
Roseneath No. 2	2355.300	
Elmsdale No. 3	2260.397	
Total		9872.080

Western Barley sold

	Metric Tonnes	
Kensington No. 1	150.461	
Roseneath No. 2	102.310	
Elmsdale No. 3	2.404	
Total		255.175
Total Barley sold		10,127.255

Ontario Corn sold

Kensington No. 1	707.282	
Roseneath No. 2	180.706	
Elmsdale No. 3	94.186	
Total Corn sold		982.174

Soybean sold

Kensington No. 1	681.863	
Roseneath No. 2	115.185	
Elmsdale No. 3	195.162	
Total Soybean sold		992.210
Total Grain sold		17268.128

The reason that one elevator may have sold more than it purchased of each type of grain is the transfers between elevators are not recorded as a sale until actually sold to a user.

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors

of Prince Edward Island Grain Elevators Corporation

I have examined the balance sheet of the Prince Edward Island Grain Elevators Corporation as at July 31, 1986 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. WAYNE MURPHY, C.A.

Auditor General

Charlottetown, Prince Edward Island
November 10, 1986

STATEMENT 1

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
BALANCE SHEET
JULY 31, 1986
(with comparative figures at July 31, 1985)

ASSETS

	1986	1985
CURRENT ASSETS		
Cash	$ 37,929	$ 37,921
Accounts Receivable – Note 2	424,398	377,465
Prepaid Expenses	13,918	13,237
Inventory of Grain – Note 1(b)	605,199	199,677
	1,081,444	628,300
FIXED ASSETS		
Equipment – Note 3	85,500	4,417
Property under Capital Lease – Note 4	413,748	420,505
	$1,580,692	$1,053,222

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
Accounts Payable	$ 20,418	$ 37,795
Current Portion of Obligation Under Capital Lease	37,817	35,068
Allowance for Contingent Loss – Note 5	49,732	49,732
Due to Province of Prince Edward Island	708,916	106,555
	816,883	229,150
LONG TERM LIABILITIES		
Due to the Province of Prince Edward Island – Note 6	–	582,555
Obligation Under Capital Lease – Note 7	420,809	424,140
	420,809	1,006,695
EQUITY		
Retained Earnings, Beginning of Year	(182,623)	(41,133)
Income (Loss) for the Year	182,623	(141,490)
Retained Earnings, End of Year	–	(182,623)
Contribution by the Province of Prince Edward Island – Note 6	343,000	–
	343,000	(182,623)
	$1,580,692	$1,053,222

(Notes 1 to 8 are an integral part of these financial statements.)

STATEMENT 2

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
STATEMENT OF INCOME
YEAR ENDED JULY 31, 1986
(with comparative figures at July 31, 1985)

	1986	1985
SALES	$2,770,474	$2,810,685
COST OF SALES		
Inventory, Beginning of Year	199,677	230,286
Purchases	3,049,266	2,267,877
Freight	60,503	256,896
Cost of Goods Available for Sale	3,309,446	2,755,059
Inventory, End of Year	605,199	199,677
	2,704,247	2,555,382
GROSS PROFIT ON SALES	66,227	255,303
OTHER INCOME – Note 8	424,292	259,656
	490,519	514,959
EXPENSES		
Salaries and Benefits	288,547	289,748
Power, Light and Water	83,662	58,748
Capital Lease – Interest	42,867	41,647
Interest – Long Term	–	41,650
Capital Lease – Amortization	37,482	35,287
Repairs and Maintenance	57,354	20,692
Bad Debt Expense	2,487	2,724
Truck Expense	19,887	21,104
Office	16,109	22,634
Insurance	13,131	3,895
Professional Services	7,026	6,069
Honorariums	10,011	10,423
Miscellaneous	3,936	1,772
Telephone and Telegraph	9,092	9,021
Depreciation	8,916	5,888
Interest – Short Term	123,812	46,504
Travel	6,502	6,638
Household and Clothing	4,183	2,366
Advertising	4,823	6,232
Field Supplies and Equipment	1,868	2,518
Protein Bonus	21,275	20,889
	762,970	656,449
INCOME (LOSS) ON OPERATIONS	(272,451)	(141,490)
APPROPRIATIONS		
For Current Year's Deficit	272,451	–
For Prior Years' Deficits	182,623	–
	455,074	–
INCOME (LOSS) FOR THE YEAR	$ 182,623	$ (141,490)

(Notes 1 to 8 are an integral part of these financial statements.)

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 1986

1. Summary of Significant Accounting Policies:

   (a) Specific accounts which have been deemed doubtful have been included in the Allowance for Doubtful Accounts. In addition, 1% of the remaining accounts are included in the allowance.

   (b) Inventory is valued at the lower of first-in, first-out cost and replacement value.

   (c) Asset purchases less than $5,000 are expensed in the period of purchase.

   (d) Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

   (e) Property under Capital Lease is amortized on a straight-line basis over the term of the lease.

2.

	1986	1985
Accounts Receivable – Trade	$357,737	$299,727
Less: Allowance on Doubtful Accounts ...	6,939	5,895
	350,798	293,832
Accounts Receivable – Special Bin	49,800	57,244
– Freight Assistance ..	20,427	19,297
– Other	3,373	7,092
	$424,398	$377,465

3.

	1986	1985
Fixed Assets		
Equipment (cost)	$119,443	$ 29,443
Less: Accumulated Depreciation	33,943	25,026
	$ 85,500	$ 4,417

4.

	1986	1985
Property under Capital Lease		
Property (cost)	$641,423	$610,698
Less: Accumulated Amortization	227,675	190,193
	$413,748	$420,505

5. Contingent Liabilities: In 1978 an account receivable of $89,000 was assigned to the Prince Edward Island Lending Authority. The Corporation has guaranteed repayment to the Authority. A likely loss of $49,732 on this account has been charged to income since 1978.

6. In 1972 the P.E.I. Government began advancing the Kensington Grain Elevator funds for working capital purposes. At July 31, 1985 the balance of $582,555 included $343,903 in advances and accumulated interest of $238,652. During the 1985-86 fiscal year the advances owed by the Grain Elevator were written off by the Province and the interest payable was added to the operational loan.

7.

	1986	1985
Obligation under Capital Lease	$458,626	$459,208
Less: Current Portion	37,817	35,068
	$420,809	$424,140

The following is a schedule of future minimum lease payments under the capital lease expiring July 2, 1997, together with the balance of the obligation under the capital lease:

Year ending July 31,	1987	$ 74,174
	1988	79,635
	1989	79,635
	1990	79,635
	1991	79,635
	Subsequent Years	309,052
Total Minimum Lease Payments		701,766
Less: Amount Representing		
Interest at -- 10.0%		203,462
– 6.50%		39,678
Balance of the Obligation		$458,626

8. Other Income

	1986	1985
Handling and Drying	$ 75,391	$ 66,660
Storage Fees	24,643	28,225
Service Charges	20,292	25,236
Miscellaneous	15,826	13,613
Hedging Income	118,274	–
Feed Freight Assistance	169,866	125,922
	$424,292	$259,656